PHILIP MORRIS USA

GOVERNMENT AFFAIRS WEEKLY REPORT

January 11, 1991

EXECUTIVE SUMMARY

BUDGETARY OUTLOOK

Pennsylvania - Governor Casey (D) fired 2,000 state workers this week in order to shrink a budget shortfall of nearly $1 billion. The Governor stated that he had no intention of increasing taxes to meet the current years costs, but could not promise the same for fiscal year 1992.

Florida - Lawton Chiles (D) was inaugurated Governor this week. In his inaugural address he pledged no new taxes this year and further stated that the state was going to have to cut back on spending to balance the budget.

Connecticut - Lowell Weicker (I) has been inaugurated as the new Governor of Connecticut. His first challenge is a projected budget deficit of $2.1 - $2.8 billion.

Rhode Island - Budget deficit forecasts have grown to $200 million. As a percentage of total state budget, Rhode Island has the largest deficit of any state in the U.S.

CONSUMER EXCISE TAXES

Virginia - The legislature convened 1/10 under the cloud of a huge budget deficit. Legislation to permit counties to assess local cigarette taxes will be introduced early next week.

MARKETING RESTRICTIONS

New York - Governor Cuomo (D) mentioned his Adolescent Tobacco Use Prevention Program in his State of the State Message. The program, if adopted, would prohibit sampling, vending sales, promotion of tobacco products through the mail, advertising in mass transit systems, advertising in athletic and entertainment facilities, and tobacco products on school property.

EMPLOYMENT DISCRIMINATION

Minnesota - The cities of Minneapolis and St. Paul are considering a requirement that newly hired police officers and fire fighters abstain from smoking or using tobacco products as a condition of employment (on or off the job). No dates have been announced for consideration.

For additional information please call Matt Paluszek at ext. 3743.

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TED LATTANZIO -- REGION I

CONNECTICUT: Lowell Weicker has been inaugurated as the new Governor of Connecticut. As he takes over, the projected budget deficit is $2.1 to $2.8 billion.

The anti-smoker discrimination bill will be raised as a Committee bill and has the support of both Committee co-chairs. The bill that will be introduced will be the Rhode Island version.

RHODE ISLAND: The budget deficit in Rhode Island has grown to $200 million, the largest percentage deficit of the states in the Union. Governor Sundlun has proposed 120 million dollars' worth of spending cuts.

VERMONT: Richard Snelling has been inaugurated as the Governor of Vermont. Speaker Ralph Wright (D) has been re-elected as Speaker in the 75 D to 75 R House.

JOHN BOLTZ -- REGION II

NEW YORK: State of the State Message: Governor Cuomo did not use his State of the State message to provide specifics on his plan to alleviate a budget deficit that is a minimum of $3 billion and perhaps as high as $5 billion. The Governor spoke in largely conceptual terms. On February 1st, he will unveil his proposed budget package.

The Governor briefly mentioned his proposed Adolescent Tobacco Use Prevention Program. The components of the program would prohibit the following: sampling, vending sales, promotion of tobacco products through the mail, advertising in mass transit systems and any facility in which athletic or entertainment programs are conducted, and tobacco products on school property.

Sampling: On January 9th, the Senate Codes Committee approved a measure (S.66) sponsored by Senator Norman Levy which stiffens the prohibition of selling and providing samples to minors. The proposal makes a such a violation part of the state's penal code. Levy's proposal limits the distribution of samples of cigarettes by minors but does not prohibit the sale of cigarettes by minors.

Indoor Air Quality: -- The Assembly Standing Committees on Health, Labor and Environmental Conservation will be holding public hearings on Air Quality in the Workplace, Schools and other buildings in Albany (1/16) and Hauppauge (2/1). A number of unions are expected to make the case for a total approach to clean air as opposed to the simple ban smoking approach.

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JIM LEMPERES -- REGION III

PENNSYLVANIA: Governor Casey fired 2,000 state workers this week in order to shrink a budget shortfall of nearly $1 billion.

The Governor said he had no intention of increasing taxes to meet current year costs, but would not promise the same for fiscal 1992.

The 1991-92 legislative session begins on Monday, January 14.

NEW JERSEY: A task force appointed by the Senate announced that it will begin holding public hearings on alternatives to Governor Jim Florio's $2.8 billion tax increase on January 16.

There will be three public hearings held in the month of January.

Delaware - The 1991-92 legislative session begins on Monday, January 14.

SCOTT FISHER -- REGION IV

OHIO: Before the end of 1990, the Ohio legislature passed emergency legislation to erase a projected $271.2 million state budget deficit for FY'90. The Vice Chairman of the Senate Finance Committee has now said privately that despite the stop gap funding passed in December, the current budget could still be short by $350 million.

This problem will have to be addressed before the legislature begins work on an estimated 1991-93 budget deficit of $1.5 billion, which could become worse in a protracted recession.

Former Ohio Tax Commissioner, Joanne Limbach, has stated that the new governor elect and legislature should look toward the state's sales tax. The 5 percent sales tax provides more than one-third of the state's general revenue and is the second largest revenue source behind the personal income tax. Limbach is advocating a large scale expansion of the sales tax to cover most types of services.

MICHIGAN: On 1/11/91, Michigan Governor John Engler is expected to release a list containing $1 billion in state government spending cuts. Top on the list is the elimination of about 8,000 state employee jobs.

INDIANA: As he did last year, Rep. John Donaldson (R-Lebanon) has introduced legislation, HB 1109, in the Indiana House to ban smoking in all areas of hospitals and health care facilities.

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JAY POOLE -- REGION V

KENTUCKY: The legislature convened Wednesday for its biannual organizational meeting. The legislature will convene in a special session, perhaps next week, on environmental issues and drunk driving bills. No tobacco issues are expected to be considered.

MARYLAND: The legislature convened for its annual 90 day session on Wednesday. House pre-filed bills include proposals to (1) Ban vending machines, (2) and ban smoking in the new outdoor baseball stadium in Baltimore.

NORTH CAROLINA: The session does not convene until January 30, 1991. It is expected that legislation to increase the state's cigarette excise tax and implement a new tax on cigarette manufacture will be introduced early in the session. Also likely to be introduced is a proposal to eliminate the doubling weighting sales provisions which were enacted in 1987.

TENNESSEE: As expected, State Representative Jimmy Naifeh was elected Speaker of the Tennessee House of Representatives. No tobacco legislation has, as of yet, been introduced.

VIRGINIA: The legislature convened Thursday under the cloud of a huge budget deficit. The only formal introduction of tobacco legislation was a bill to raise the legal age of tobacco use to 18. It is anticipated that legislation to permit counties to assess local cigarette taxes will be introduced early next week.

The members of the Special House & Senate Courts of Justice Committee refused to endorse the broad legislative proposal relating to protective orders. Specific legislative proposals on (1) Discovery and (2) Unitary statute are likely to be introduced by Delegate Bernie Cohen anyway.

FAIRFAX COUNTY: A member of the Board of Supervisors announced plans to introduce legislation to restrict vending machines and ban smoking on public school property.

HENRY TURNER -- REGION VI

FLORIDA: Lawton Chiles was inaugurated Governor of the State of Florida this week. In his inaugural address he pledged no new taxes this year and further stated that the state was going to have to cut back on spending to balance the budget.

The Health Standards Subcommittee of the House Health Care Committee will hear testimony in two weeks on Clean Indoor Air and its enforcement.

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GEORGIA: The Bill of Rights had a very successful visit to Atlanta with over 29,000 people viewing the document during the four day visit. Numerous legislators attended the event and Georgia Agriculture Commissioner Tommy Irvin spoke at the VIP reception held after the opening ceremony.

MISSISSIPPI: The leadership of the Mississippi legislature has been in closed door meetings since the beginning of the legislative session on Tuesday, January 8. The purpose of these meetings has been to discuss the state's $105 million shortfall on funding.

Representative Charles Shepphard has filed a bill to prohibit the sale of tobacco products which are not in sealed packages. The bill has been referred to the committee on Public Health and Welfare.

Representative Alyce Clarke has proposed a resolution to create a House rule prohibiting smoking in the House Chamber and Gallery while the House is in session.

Representative Bill Denny has filed a bill to prohibit smoking in certain public indoor areas to require the display of signs in areas where smoking is permitted and to provide for penalties.

PAT WILSON -- REGION VII

IOWA: Representative Johnnie Hammond has prefiled a bill to completely ban vending machines. The Legislature convenes on 1/14; therefore, a hearing date has not been set.

MINNESOTA: The cities of Minneapolis and St. Paul are considering a requirement that newly hired police officers and fire fighters abstain from smoking or using tobacco products as a condition of employment (on and off the job). Under the proposal, violators could be fired. It would apply to officers and fire fighters hired by the city starting in 1992. However, the ban eventually could apply to all public employees. Spring Valley has not made any further moves to ban self service of cigarettes. The Council was to set up a task force to work with the local retailers. That action has yet to be taken.

WISCONSIN: On 1/10, the Milwaukee Public Safety Committee passed a proposal to ban smoking in all city owned or leased buildings and vehicles. Because the proposal received favorable consideration by the Committee, it will have to receive action by the Public Works and the Judiciary/Legislative Committees before being voted on by the full City Council. Under a separate action taken by the Public Safety Committee, a report was presented by the Smoking Policy Implementation Committee.

ILLINOIS: The last day of the 1990 legislative session was held on 1/8. No anti-tobacco legislation was considered. The swearing-in ceremony for new legislators was held on 1/9; no legislative action taken at that time. On

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1/11, the full Chicago City Council will likely take action on Burke's ordinance to restrict vending machines, sampling, require licensing of tobacco retailers, and change the age from 18 to 19 for purchase. A substitute ordinance is currently being considered by Burke.

JACK DILLARD -- REGION VIII

ARKANSAS: The 1991 Regular Session of the Arkansas Legislature convenes in Little Rock on Monday, January 14. Governor Bill Clinton will be inaugurated for his sixth term on Tuesday, January 15.

Rep. Dave Roberts of Little Rock has announced plans to introduce legislation creating a state health insurance pool to provide insurance for people who are uninsurable. Roberts said that, after meeting with Gov. Clinton to discuss the proposal, he has dropped plans for now to fund it with a tax on cigarettes and alcohol. Clinton has proposed passing the enabling legislation first and then later in the session, or in a special session that may be devoted entirely to taxes, expects to figure out a way to fund it.

KANSAS: The 1991 Regular Session of the Kansas Legislature convenes in Topeka on Monday, January 14. State Treasurer Joan Finney will be sworn in as governor on opening day.

MISSOURI: The 1991 Regular Session of the Missouri General Assembly convened in Jefferson City on Wednesday, January 9. Prefiled bills include a measure to increase cigarette excise taxes by six cents a package and numerous measures to prohibit the sale of tobacco products to persons under age 18. Privacy legislation and smoking restriction bills have also been introduced. Currently, Missouri has no statewide smoking law and no age limit on the sale of tobacco products.

Kansas City -- A preliminary tally of the petitions to call a referendum on the recently enacted privacy ordinance shows petitioners to be short of the required number by about 500 signatures. Petitioners will have ten days from the date of the official verification ruling, expected soon, to file supplemental petitions with additional signatures.

Jefferson City -- The council is expected to consider a proposed ordinance restricting sales of cigarettes from vending machines before the end of January.

St. Louis -- An ordinance to provide for designated smoking and non-smoking areas in city-owned buildings is scheduled for second reading before the Board of Aldermen on Friday, January 11. Two new comprehensive smoking restriction ordinances were introduced this week by Alderman Freeman Bosley and were referred to the city attorney for his review.

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NEBRASKA: The 1991 Regular Session of the Nebraska Legislature convened in Lincoln on Wednesday, January 9. As expected, Sen. Dennis Baack was elected Speaker to replace Bill Barrett who has resigned from the legislature to serve in Congress. Sen. Jerome Warner, former Chairman of the Appropriations Committee and a veteran legislator, defeated Sen. Bernice Labedz in her bid to chair the Executive Board for a second term.

OKLAHOMA: The Oklahoma Legislature convened in Oklahoma City on Wednesday, January 9, for a one day organizational session. The legislature will meet again on Monday, February 4, for the start of business. Oklahoma City businessman David Walters will be sworn in as governor on Monday, January 14.

BETSY GILES -- REGION IX

LOUISIANA: In a Renwick poll on the 1992 Louisiana Governor's race released this week, former Governor Edwin Edwards ran neck and neck with Governor Buddy Roemer 27% - 26%. The poll showed David Treen at 13% and Representative David Duke at 11%.

TEXAS: The Texas House of Representatives reelected Representative Gib Lewis to an unprecedented fifth term as Speaker, 146-1, at the opening session of the Legislature on 1/8. Attempts to make the election a secret ballot and to limit the speaker's terms failed overwhelmingly. A Travis County grand jury indicted Speaker Lewis on two misdemeanor ethics charges in late December.

Comptroller John Sharp told lawmakers that they face a $4.2 billion shortfall for 1992-93. Governor-elect Richards has said growth in the state economy, combined with the establishment of a state lottery, would obviate the need for a tax hike.

Representative Ron Wilson introduced legislation (HB 276) to restrict smoking in workplaces and places open to the public.

Arlington: The City Council held a hearing on ordinances to restrict vending machine sales and mandate stronger city smoking restrictions in public places. One provision would require an establishment to obtain a license to install a cigarette vending machine. Further action is not anticipated for 2-3 months.

MARY CRAMER -- REGION X

COLORADO: The Colorado General Assembly convened in regular session on 1/9/91. Deadline for introduction of all bills is 1/30/91.

HB 1035, introduced on 1/9/91 by Representative Jim Dyer, bans smoking in state prison facilities.

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Denver: Mayor Pena vetoed an ordinance which would require designated lounges at all Denver airports. There is no deadline for council to act on overriding the veto.

NORTH DAKOTA: The North Dakota General Assembly convened in regular session on 1/7/91. Deadline for introduction of all bills is 1/21/91.

SOUTH DAKOTA: The South Dakota General Assembly convened in regular session on 1/8/91. Deadline for introduction of all bills is 1/25/91.

WYOMING: The Wyoming General Assembly convened in regular session on 1/8/91. Deadline for introduction of all bills is 1/28/91.

STEPHEN BUCKNER -- REGION XI

IDAHO: The first week of the 1991 legislative session has been quiet. No anti-tobacco legislation has surfaced.

MONTANA: Legislative counsel is working on a bill draft to establish a minimum age for tobacco use. The request was made by Senator Judy Jacobson from Butte.

OREGON: Governor-elect Barbara Roberts will recommend $20 million of tobacco tax revenues be used to pay the state's share of a light rail system in the Portland area. Her budget package does not call for an increase in the consumer excise tax on tobacco. Proposed light rail funds would come from existing revenue.

WASHINGTON: Department of Health Secretary Kristine Gebbie announced introduction of the Act on Tobacco legislation for consideration when legislators convene next week. The Act calls for restricting cigarette vending machines to adult-only areas and eliminating coupon offers, sales by mail, sampling and single cigarette sales. According to Gebbie a one cent per pack increase in the consumer excise tax on cigarettes will be used to fund "prevention, education and cessation programs."

SANDRA TIMPSON -- REGION XII

CALIFORNIA: Governor Wilson was inaugurated on Monday, January 7, and the legislature convened its 1991-1992 biennial session. Wilson will submit his budget to the legislature Thursday, January 10.

AB130, by Assemblywoman Hansen, concerning the labeling of environmentally safe products, would require the Integrated Waste Management Board to establish a labeling program and require the Source Reduction Advisory Committee to advise the board on the design, application for licensing, and standards for products to meet in the program. It would also provide for the fees and licenses. The bill was introduced on December 7, 1990.

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AB144, by Assemblyman Sher, concerning environmental advertising, would add "compostable" to words forbidden by law to represent consumer goods, unless such goods meet specified definitions or meet definitions established in trade rules adopted by the Federal Trade Commission or by the Environmental Protection Agency for specified purposes; provides that such law shall not apply to labels on goods manufactured before October 1, 1990. This bill was introduced on December 13, 1990.

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